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**DECISION**



**THE COMPTROLLER GENERAL  
OF THE UNITED STATES**  
WASHINGTON, D.C. 20548

FILE: B-190546

DATE: March 21, 1978

MATTER OF: Schottel of America, Inc.

**DIGEST:**

Where low bid of two received was nonresponsive, and other bid exceeded Government estimate by 37 percent and low nonresponsive bid by 25 percent, cancellation of IFB was proper.

Schottel of America, Inc. (Schottel), protests the cancellation of invitation for bids (IFB) No. DACW69-77-B-0081, issued by the Corps of Engineers (Corps) for three outboard marine propulsion units.

The Government estimate for the procurement was \$60,000. The estimate was derived from a 1969 estimate of \$24,600 for three similar units. The Corps doubled that amount to reflect the approximate increase in machinery and equipment prices since 1969, added \$3,000 per unit for hydraulic controls not included in the 1969 specification, and rounded off the result (\$58,200) to \$60,000.

The low bid under the IFB was \$65,385, but was determined nonresponsive because the bidder qualified the price, time and delivery terms. Schottel's bid of \$82,152 was the only other bid received.

Since Schottel's bid exceeded the Government estimate by 37 percent, the contracting officer determined the bid unreasonable and canceled the solicitation pursuant to Armed Services Procurement Regulation (ASPR) § 2-404.1 (1976 ed.), which provides in pertinent part:

"(a) The preservation of the integrity of the competitive bid system dictates that after bids have been opened, award must be made to that responsible bidder who

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submitted the lowest responsive bid, unless there is a compelling reason to reject all bids and cancel the invitation. \* \* \*

"(b) \* \* \* Invitations for bids may be canceled after opening but prior to award when such action is consistent with (a) above and the contracting officer determines in writing that \* \* \*

\* \* \* \* \*

"(vi) all otherwise acceptable bids received are at unreasonable prices \* \* \*

Schottel protests that the cancellation of the IFB was "arbitrary, capricious and not supported by substantial evidence." Schottel argues that its bid was "competitively priced with comparable units of other manufacturers," and that the Government estimate was therefore unrealistic. Schottel contends that the basis for the estimate was improperly limited to only a 9-year-old estimated price for a similar unit; Schottel suggests that the estimate should have included a consideration of current market prices for the same or similar items, or at least the actual prices of the 1969 units. In addition, Schottel points out that the 1969 estimate involved design specifications, whereas Schottel responded to a performance specification.

A determination that a bid price is not reasonable is a matter of administrative discretion which our Office will not question unless it is unreasonable or there is a showing of bad faith or fraud. See G.S.E. Dynamics, Inc., B-189329, February 13, 1978; Support Contractors, Inc., B-181607, March 18, 1975, 75-1 CPD 160. The determination may be based upon comparison with a Government estimate, past procurement history, current market conditions, or other relevant factors, including any which may have been disclosed by the bidding. See G. S. E. Dynamics, Inc., supra; Westinghouse Electric Corporation, 54 Comp. Gen. 699, 702 (1975), 75-1 CPD 112; 36 Comp. Gen. 364. (1956).

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Here, although the \$60,000 figure as calculated may appear a very rough estimate, we have recognized the inexact nature of Government estimates in reviewing a contracting officer's exercise of his broad discretion in this area. See W.C. Construction Company, B-188837, August 9, 1977, 77-2 CPD 100. The 1977 estimate was not arbitrarily deduced, since we do not believe that reliance on the 1969 estimate as a basis therefor and the method of calculation used represent an abuse of discretion or unreasonableness on the part of the contracting officer. We note in this connection that the 1969 procurement, which was apparently the Corps' most recent attempt to purchase similar items, was never completed because of a lack of sufficient funds. Therefore, we believe the 1977 estimate was within the range of what could reasonably be anticipated in terms of price. See Westinghouse Electric Corporation, supra.

Moreover, this view is substantiated by the proximity of the low but nonresponsive bid of \$65,385. In this regard, we have recognized that the bid of a nonresponsive bidder may be relevant to the determination of what is a reasonable price. Support Contractors, Inc., supra. In fact, a contracting officer's determination regarding price reasonableness may properly be based solely on a comparison with such a bid. 49 Comp. Gen. 649, 656 (1970).

Schottel's bid of \$82,152 was 37 percent higher than the Government estimate. It was 25 percent higher than the nonresponsive low bid. We have upheld the rejection of bids and readvertisement where the lowest eligible bid exceeded the Government estimate by as little as 7.2 percent, see Building Maintenance Specialists, Inc., B-186441, September 10, 1976, 76-2 CPD 233, and where it was 13 percent greater than a nonresponsive low bid, Colonial Ford Truck Sales, Inc., B-179926, February 19, 1974, 74-1 CPD 80.

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In view of the above, we cannot say that the contracting officer's decision to cancel the IFB was unreasonable. The protest is denied.

*R. F. K. 11/11/64*  
Acting Comptroller General  
of the United States